

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 CAB-09 COME-00 DOTE-00 EB-11 FAA-00 OMB-01

TRSE-00 DRC-01 /123 W

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R 262029Z JUL 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 4092

INFO ALL AMCONSULS IN CANADA

LIMITED OFFICIAL USE SECTION 1 OF 2 OTTAWA 2370

PASS TREASURY, COMMERCE AND USTS

TORONTO ALSO FOR USTS

E.O. 11652: N/A

TAGS: EFIN, EIND, ETRN, CA

SUBJECT: POSSIBLE BY-PASSING OF ALORIDA SUN-SPOT MARKET
IN FAVOR OF CARIBBEAN AREA AS RESULT OF CAB ORDER.

1. BEGIN SUMMARY. WINTER VACATIONS IN SUN-SPOTS ARE A SIGNIFICANT COMPONENT OF CANADIAN TRAVEL ABROAD. FLORIDA HAS LONG BEEN A MAJOR DESTINATION AND CANADIAN VISITORS CONTRIBUTE SIGNIFICANTLY TO ITS TOURISM INDUSTRY AND TO US FOREIGN EXCHANGE EARNINGS. USTS CONSIDERS CANADA ONE OF SIX MAJOR MARKETS IN WHICH TO CONCENTRATE ITS RESOURCES ESPECIALLY THROUGH DEVELOPMENT OF LOW COST TOURS. THERE IS DANGER, HOWEVER, THAT FLORIDA AND OTHER US DESTINATIONS MAY BE INCREASINGLY BY-PASSED IN FAVOR OF CARIBBEAN POINTS AS A RESULT OF A CAB ORDER INHIBITING OPERATION OF ONE-STOP INCLUSIVE TOUR CHARTERS (ITC'S). WE SUGGEST THAT BALANCE OF PAYMENTS IMPLICATIONS AND US TOURIST INDUSTRY INTERESTS

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SHOULD RECEIVE CONSIDERATION IN ADMINISTERING THIS

ASPECT OF AVIATION POLICY INsofar AS IT RELATES TO
CANADA. END SUMMARY

2. FEAR THAT FLORIDA AND OTHER US DESTINATIONS MAY
BY BY-PASSED IN FAVOR CARIBBEAN POINTS BY CANADIAN
REGIONAL CARRIERS ENGAGED IN CHARTER OPERATIONS, IF
CAB ORDER 74-5-37 PARAGRAPH 4 IS MAINTAINED OR
ADMINISTERED IN A RESTRICTIVE MANNER, HAS BEEN
EXPRESSED TO EMBASSY BY PRESIDENT R.G. LEFRANCOIS
AND VICE-PRESIDENT FOR TRAFFIC DEVELOPMENT K.P.
PEIFFER OF NORDAIR LTD. CAB ORDER AT ISSUE REQUIRES
THAT INCLUSIVE TOUR CHARTER FLIGHTS OPERATED BY
CANADIAN REGIONAL CARRIERS, WHICH WERE NOT APPROVED
BY CANADIAN TRANSPORT COMMISSION (CTC) PRIOR TO
MAY 8, 1974 (DATE ON WHICH BILATERAL CHARTER AGREEMENT
WAS SIGNED), MUST HAVE MINIMUM OF TWO STOPS AT POINTS
NOT LESS THAN 50 AIR MILES FROM EACH OTHER, UNLESS
PRIOR APPROVAL FOR ONE-STOP ITC IS OBTAINED FROM CAB
ON CASE-BY-CASE BASIS. LEFRANCOIS AND PEIFFER
EXPRESSED, IN PARTICULAR, CONCERN OVER LACK OF
PUBLISHED CRITERIA FOR APPROVING OR REJECTING
APPLICATIONS FOR ONE-STOP ITC'S AND NO STATED TIME
FRAME WITHIN WHICH CAB WOULD ACT. PEIFFER WAS
ESPECIALLY CONCERNED THAT DELAY IN ACTION BY CAB
ON PENDING APPLICATIONS HAD ALREADY FORCED
CANCELLATION BY ONE TOUR OPERATOR OF GOLF PROGRAM
TO WILMINGTON, NORTH CAROLINA, IN OCTOBER BECAUSE
THERE WAS INSUFFICIENT LEAD TIME TO MARKET PROGRAM.
HE WAS VERY WORRIED THAT OTHER PENDING PROGRAMS
WOULD BE CANCELED, IF TIMELY APPROVAL BY CAB NOT
SECURED, AND SUGGESTED THAT THIS WOULD LEAD NORDAIR
AND OTHER CARRIERS TO CONCENTRATE THEIR EFFORTS ON
TOUR OPERATORS INTERESTED IN CARIBBEAN POINTS.
PEIFFER INDICATED TWO-STOP ITC'S -- WITH REQUIRED OVER-
NIGHT HOTEL ACCOMMODATIONS AT EACH POINT -- ARE NOT
SUFFICIENTLY ATTRACTIVE TO TOUR OPERATORS, WHO ARE
THE ONES THAT REALLY DETERMINE WHAT PROGRAMS WILL
BE OFFERED AND ENGAGE THE AIRCRAFT. (SEE IN THIS
CONNECTION JUNE 18 LETTER FROM TREASURE TOURS OF
MONTREAL TO USTS/TORONTO.) IN GENERAL, POINTS MADE
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BY LEFRANCOIS AND PEIFFER WERE BASICALLY SIMILAR TO
THOSE CONTAINED IN NORDAIR BRIEF OF JUNE 7 TO CAB,
DOCKET 26679, COPIES OF WHICH, TOGETHER WITH TREASURE
TOURS LETTER AND CAB ORDER IN QUESTION, BEING
FORWARDED TO DEPT (EB/CBA, EB/TT, AND EUR/CAN).

3. IN COURSE OF MEETING WITH NORDAIR OFFICIALS,
IT ALSO DEVELOPED THAT CAB ORDER MAY BE INDIRECTLY

CREATING ANOTHER STUMBLING BLOCK TO PROPOSED REGIONAL CARRIER ITC CHARTER PROGRAMS. CANADIAN AIR TRANSPORT COMMITTEE (ATC) HAS DECIDED NOT TO CONTINUE APPROVING ONE-STOP ITC'S TO US BECAUSE, THEY SUGGESTED, IT INTERPRETS EXCHANGE OF NOTES (CONTAINING RESERVATIONS TO CHARTER BILATERAL WITH RESPECT TO ITC'S) TO PRECLUDE SUCH ATC APPROVAL, EVEN THOUGH ATC'S OWN CHARTER REGULATIONS IN EFFECT SINCE JULY 31, 1973 PERMIT THEM. NORDAIR REPRESENTATIVES CONSIDER INTERPRETATION ERRONEOUS. THEY INDICATED STRENUOUS REPRESENTATIONS BEING MADE TO ATC AND APPEARED CONFIDENT ATC WILL CONTINUE TO APPROVE ONE-STOP ARRANGEMENTS. HOWEVER, ATC OFFICIAL HAS ADVISED TCO THIS IS NOT LIKELY AND FORMAL AMENDMENT CANADIAN CHARTER REGULATIONS WILL SHORTLY BE ISSUED REQUIRING MINIMUM OF TWO STOPS. HE CONFIRMED ATC CHAIRMAN HAS TAKEN POSITION THIS IS REQUIRED BY CHARTER BILATERAL.

4. LEFRANCOIS-PEIFFER PRESENTATION MADE IN PRESENCE OF ANGUS MORRISON, PRESIDENT, AIR TRANSPORT ASSOCIATION OF CANADA (ATAC), WHO CONFIRMED THAT NORDAIR'S VIEWS WERE SHARED BY OTHER REGIONAL CARRIERS AS WELL AS WARDAIR AND CP AIR, BUT NOT BY AIR CANADA. MORRISON SAID ATAC INTERNATIONAL CHARTER COMMITTEE CONSIDERS THAT EXCHANGE OF NOTES RELATES ONLY TO US REGULATIONS AND DOES NOT REQUIRE ANY POSITIVE ACTION BY CANADA TO CHANGE ITS REGULATIONS. HOWEVER, AIR CANADA, WHICH IS NOT PRESENTLY MEMBER OF COMMITTEE, IS ENCOURAGING ATC INTERPRETATION SO AS TO PREVENT REGIONALS FROM CONTINUING ONE-STOP ITC OPERATIONS -- AND INDEED ALL ITC'S -- SO LONG AS IT IS DENIED ITC RIGHTS BY US CAB. MORRISON FURTHERMORE EXPLAINED CP AIR'S SUPPORT OF OTHER LIMITED OFFICIAL USE

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CARRIERS ON THIS ISSUE WAS BASED ON ITS LONG-TERM MARKETING STRATEGY WHICH ATTACHES HIGH VALUE TO ITC'S GENERALLY AND BELIEVES IN MAXIMUM FREEDOM IN THIS AREA WHETHER OR NOT IT HAS CAB AUTHORITY OFFER THEM TO US.

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 CAB-09 COME-00 DOTE-00 EB-11 FAA-00 OMB-01

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R 262029Z JUL 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 4093

INFO ALL AMCONSULS IN CANADA

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PASS TREASURY, COMMERCE AND USTS

TORONTO ALSO FOR USTS

5. COMMENT: EMBASSY CANNOT PRESENTLY ASSESS SIGNIFICANCE OF TWO-STOP VERSUS ONE-STOP REQUIREMENT IN RELATION TO TRAFFIC GENERATION FOR US POINTS, PARTICULARLY IN LIGHT OF PAST PRACTICE BY TOUR OPERATORS OF MAKING SECOND STOP AVAILABLE ONLY ON OPTIONAL BASIS. WE HAVE, HOWEVER, INVITED NORDAIR AND ATAC TO SUPPLY INDUSTRY-WIDE PROJECTIONS REGARDING VOLUMES AND EXPENDITURES BY CANADIAN TRAVELLERS IF ONE-STOP ITC AUTHORITY FREELY AVAILABLE. WE WILL FORWARD THESE TO DEPT FOR EVALUATION BY INTERESTED AGENCIES UPON RECEIPT.

6. IN THIS CONNECTION, WE CALL ATTENTION TO MAJOR MARKETING PROGRAMS OF USTS IN CANADA AND RECENT JUSTIFICATION FOR ESTABLISHMENT TWO NEW USTS POSITIONS AT TORONTO AS SET FORTH IN APRIL 18 LETTER FROM COMMERCE ASST SECRETARY FOR ADMINISTRATION TURNER TO STATE OPRED STAFF DIRECTOR MAYES, LIMITED OFFICIAL USE

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AND SUPPORTING MATERIALS. USTS HAS FOUND, ON BASIS OF PRELIMINARY 1973 FIGURES, DECLINE IN NUMBER OF CANADIAN VISITORS TO US AND DIMINUTION OF US SHARE IN CANADIAN TRAVEL MARKET. LATTER IT SUGGESTS CLEARLY RESULTS FROM COMPETITION OF RIVAL TOURISM

DESTINATIONS OFFERING BETTER BARGAINS (IN TERMS OF COSTS). TO COUNTER THIS, USTS IS UNDERTAKING MORE INTENSIVE PROMOTION LOW-COST PACKAGE TOURS (CATEGORY WHICH INCLUDES, AND COULD BE DOMINATED BY, AVIATION ITC'S) FROM CANADA.

7. IN EMBASSY'S VIEW, WHILE MUCH OF CANADIAN SUN-SPOT MARKET HAS BEEN HISTORICALLY ORIENTED TO US POINTS (ESPECIALLY FLORIDA FROM HEAVILY POPULATED EASTERN CANADA), MARKET IS, TO CONSIDERABLE DEGREE, DESTINATION-INDIFFERENT. MANY CANADIAN WINTER AIR TRAVELLERS WILL SWITCH FROM FLORIDA TO EXTENT FACILITIES ARE AVAILABLE IN CARIBBEAN AND TOUR OPERATORS CAN ORGANIZE ATTRACTIVE PROGRAMS. FURTHERMORE, ALTHOUGH INDIVIDUAL TRAVEL TO US WILL CONTINUE IMPORTANT, EXPERIENCE OF LAST WINTER'S US GASOLINE SHORTAGES MAY HAVE SOME PERMANENT ADVERSE IMPACT UPON TRADITIONAL AUTOMOBILE TRAVELLERS TO FLORIDA AND SHIFT MORE AND MORE OF THEM TOWARD AIR TRAVEL IN YEARS TO COME. ADDITIONAL COSTS OF SUCH TRAVEL EVEN TO CARIBBEAN DESTINATIONS MAY NOT BE A POWERFUL DETERRENT TO THIS SHIFT DURING PERIODS, LIKE PRESENT, OF BUOYANT ECONOMIC CONDITIONS IN CANADA.

8. RECOMMENDATION: EMBASSY RECOGNIZES COMPLEXITY AND CONTROVERSIAL NATURE OF REGULATORY APPROACH TO CHARTERS BUT SUGGESTS THAT, IN DEVELOPING AND IMPLEMENTING POLICY, IMPACT OF CANADIAN TOURIST EXPENDITURES ON US FOREIGN EXCHANGE EARNINGS AND ON REGIONAL ECONOMIC ACTIVITY IN US OUGHT TO BE TAKEN FULLY INTO ACCOUNT. IF GENERAL POLICY OF EASIER APPROVAL FOR ONE-STOP ITC'S SEEMS OUT OF QUESTION, PERHAPS SPECIAL ARRANGEMENTS FOR CANADA-ORIGINATING TRAFFIC COULD BE JUSTIFIED IN TERMS OF BROAD US ECONOMIC INTEREST.
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Message Attributes

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Disposition Authority: garlanwa
Disposition Case Number: n/a
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